



B. Jeannie Fry  
Director-  
Federal Regulatory

SBC Communications Inc.  
1401 I Street, N.W.  
Suite 1100  
Washington, D.C. 20005  
Phone 202 326-8894  
Fax 202 408-4806

EX PARTE OR LATE FILED

DOCKET FILE COPY ORIGINAL

May 13, 1998

**Ex Parte**

Ms. Magalie R. Salas  
Secretary  
Federal Communication Commission  
Room 222  
1919 M. Street, N.W.  
Washington, D.C. 20554

Re: CC Docket No. 80-286, Jurisdictional Separations Reform and Referral to  
the Federal-State Joint Board

CC Docket No. 96-45/ Federal-State Joint Board on Universal Service

CC Docket No. 96-262, Access Charge Reform

CCB/CPD CC Docket No. 97-30, Request by ALTS for Clarification of the  
Commission's Rules Regarding Reciprocal Compensation for Information  
Service Provider Traffic

Dear Ms. Salas:

In accordance with the Commission's rules, please be advised that on Monday,  
May 11, 1998, Mr. Paul Cooper, Mr. Stan Brower, Mr. Jay Bennett and the  
undersigned, representing SBC Communications Inc., met with the following:

- Mr. Jim Schlichting, Deputy Bureau Chief of the Common Carrier Bureau;
- Mr. Elliot Maxwell, Deputy Chief of the Office of Plans and Policy; and
- Mr. Craig Brown, Deputy Chief, Ms. Sharon Webber, Mr. Steve Burnett and  
Mr. Andy Firth of the Accounting Policy Division and Mr. Doug Sloten and Ms.  
Tamara Preiss of the Competitive Pricing Division.

Specifically, this discussion was held to discuss the materials filed with this Commission on Friday, May 8, 1988, in reference to the issues surrounding Internet Service Provider (ISP) usage.

The FCC, since 1983, has asserted jurisdictional rate authority over ISP Internet usage. Consequently, Internet usage and its costs are interstate access utilization of the local exchange network and under the jurisdiction of the FCC. In order to (a) remove the barrier to local competition created by intrastate requirements of certain State Commissions to inappropriately pay reciprocal compensation for this traffic and (b) forestall further industry confusion regarding the jurisdiction of this usage, the FCC should immediately reaffirm that all (voice and data) Internet access use of the local exchange network is interstate and not subject to local reciprocal compensation.

The FCC, as a second step, should begin to evaluate an appropriate access structure for Internet access usage. That new structure should avoid significant rate shock for ISPs and their customers but it should also provide reasonably non-discriminatory treatment of ISPs and other carriers that use the local exchange network to provide them services.

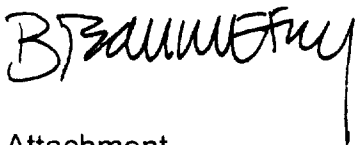
If the FCC determines that it is necessary, certain technical issues involving measurement procedures for Internet usage and mixed use procedures could be referred to the Joint Board in CC Docket No. 80-286 for review.

This letter is being filed one day late due to a power outage in our office. We apologize for any inconvenience that this late filing may have caused.

An original and one copy of this letter and the attachments are being submitted. Acknowledgement and date of receipt of this transmittal are requested. A duplicate transmittal letter is attached for this purpose.

Please include this letter in the record of these proceedings in accordance with Section 1.1206(a)(2) of the Commission's Rules.

Sincerely,

A handwritten signature in black ink, appearing to read "B. J. Baumert". The signature is written in a cursive, somewhat stylized font. The first letter "B" is large and prominent. The signature is positioned above the word "Attachment".

Attachment

**IMMEDIATE FCC ACTION IS NEEDED TO PREVENT FURTHER SUBSTANTIAL HARM TO THE PUBLIC INTEREST CAUSED BY THE ISP ACCESS EXEMPTION AND INAPPROPRIATE APPLICATION OF RECIPROCAL COMPENSATION TO INTERNET USAGE.**

**1. ISP Internet usage is interstate and under the jurisdiction of the FCC.**

- Since 1983 the FCC has asserted rate jurisdiction over this traffic.
- The usage can be identified on a mixed-use and end-to-end basis as interstate.

**2. The public interest is substantially harmed by continuing the access charge exemption for ISPs and allowing inappropriate application of reciprocal compensation. This situation causes:**

- A barrier to local exchange competition.
- Uneconomic competition for ISP business.
- Undue preferences and discrimination among service providers (IXCs and ISPs) who use local network access in the same manner.
- Universal service concerns due to the severe financial and service consequences for LECs.
- Disruption of the interconnection process.
- Jurisdictional uncertainty and disputes.

**3. The FCC objectives are being undermined.**

- ISPs have unreasonable and undue preferences.
- Inefficient use of the network is encouraged.
- Uneconomic bypass is encouraged.
- Preservation of universal service is jeopardized.
- Barriers to local competition are erected and discriminatory toll competition is encouraged.

**4. Immediate FCC action is needed to:**

- a) Make it clear that ISP Internet usage continues to be classified as interstate access use of the local network and that it is not subject to reciprocal compensation.
- b) Establish an interstate compensation mechanism for this usage that is non-discriminatory.

# Reciprocal Compensation and Internet Traffic

A Southwestern Bell Telephone (SWBT) local exchange customer with individual line business service in Dallas, Texas pays a basic service rate of \$25.25 per month. If that customer dials an Information Service Provider (ISP) connected behind a Competitive Local Exchange Company (CLEC) and maintains the connection for the entire month, SWBT would inappropriately be required to pay the CLEC \$388.80 (24 hours x 60 minutes per hour x 30 days x \$0.009 terminating compensation) reciprocal compensation. Consequently, SWBT would lose \$363.55 in the provision of service to that customer. Even if the customer only uses ISP access for slightly less than 2 hours per day, SWBT's \$25.25 monthly rate is wiped out and SWBT would receive no revenue for its cost of providing local service.

## *Dallas Local Exchange Calling Area*

